BURLINGTON INTERNATIONAL AIRPORT
STRATEGIC PLANNING COMMITTEE

Meeting of January 10, 2013

Co-Chair Councilor Karen Paul convened the eighth meeting of the Committee at 5:30 p.m. on January 10, 2013 at the Hamilton Room of the Burlington International Airport. Members present were Co-Chair Paul Sisson, Jane Knodell, Jeff Schulman, Louise Stoll, Michael O'Brien, Vince Dober, Jeff Munger, Sandy Miller, Chris Cole, Ernie Pomerleau and Ed Colodny (by telephone). Also present were Counsel/Staff Joseph McNeil; Airport Staff members Gene Richards, Heather Kendrew, Bob McEwing and Ryan Betcher; Airport Commissioners Bill Keogh and Gene Palumbo. South Burlington City Council Chairperson Roseanne Greco and Bill Porter, Ted Child, Brad Worthen, Brian Sprague and John Briggs. Adam Whiteman from Frasca & Associates, LLC was also present.

The meeting agenda was first approved unanimously on motion of Sandy Miller and second by Louise Stoll.

There were no speakers at the public forum.

The Committee then dealt with the minutes of the November 15, 2012 and December 13, 2012 meetings. Chris Cole raised a question about the meaning of the term "BIA" in the minutes and whether it was separate and distinct from "BTV." Mr. McNeil indicated that they were the same and that the minutes would be consistent on that point. Sandy Miller noted that he had made a request on behalf of South Burlington to receive the Frasca report that will be discussed this evening in advance for discussion with his City Council and posting on the South Burlington website. He noted that this request was neither noted in the minutes nor complied with. Mr. McNeil stated that the minutes would be amended to reflect this request and would attempt in the future to make sure that such requests by members are met. With the minutes so amended, they were approved unanimously on motion of Louise Stoll with second from Chris Cole.

Mr. Adam Whiteman of Frasca & Associates then made a presentation to the Committee concerning governance options. His PowerPoint presentation had been distributed to Committee members in advance and additional copies were made available to those present so that they could follow along with him. Adam noted that the SPC had been created by resolution of the Burlington City Council on recommendation of Mayor Weinberger. The Committee charge was to develop a strategic plan to strengthen the Airport and ensure that it remains a major economic driver for the State of Vermont.

Mr. Whiteman stated that per the Committee request, Frasca had analyzed four options for airport governance. The first was to maintain the status quo as a City department with an advisory Airport Commission. The second was to create a strong, more independent Airport Commission but still ultimately within the jurisdiction of the City. The third was to create a new regional airport authority consisting of representatives from Burlington, perhaps the State of Vermont and perhaps other local jurisdictions impacted and assisted by the Airport. The fourth option was privatization, involving the sale or lease of the Airport to a private entity in exchange for a capital payment and/or annual revenue stream to the City of Burlington.

Adam noted that nearly all of the commercial airports in the United States are publicly owned and are operated under several different models, namely operation as a governmental department or unit under the auspices of a city, county or state; operation as a distinct airport authority reporting to an appointed governing board, or operation as a consolidated authority which may also include other facilities such as port and mass transit operations.

With regard to regional authorities, Adam noted that they are either created initially because of a belief that the form represented the best type of governance for the particular airport or in order to meet coordinated economic development goals. The alternative reason for creation of regional airports has been to implement perceived operating efficiencies, eliminate deficiencies created by single ownership and to meet other political or structural objectives. Often, the benefits cited from regionalization are the removal of local political considerations, streamlined decision making, the perception that there is an increased ability to attract and retain a more professional staff at competitive compensation levels and the opportunity to allow for the inclusion of all affected jurisdictions in the operation and management of the facility.

Frasca's outline presented the historical background of several regional authorities and their operating history as well as noting that privatization has not been a major activity within the United States because of available financing for airports from the federal government, restrictions on the use of sale proceeds and federal grant dollars and the desire on the part of governmental entities to maintain ownership and operation of prestige assets. He did note that privatization in the US has sometimes involved private party financing of particular facilities such as the international terminal at JFK that was privately developed at a cost of $950 million and then involved in a lease transaction. He also noted that FAA involvement and approval is required in connection with any privatization, with the FAA having a very detailed list of necessary aspects.

Adam then proceeded to comment more specifically on each form of governance. For each form, he presented a "SWOT Analysis" which noted the strengths, weaknesses, opportunities and threats for each type. With regard to preserving the status quo, he noted the familiar structure and the history of the Airport. He also noted that no changes in enabling authority would be necessary to continue this form of operation. As weaknesses, he noted that the Commission has no direct power over Airport management; that the Airport benefits the entire region but administrative and financial responsibility rests solely with Burlington; that co-mingling City financial operations with Airport revenues poses credit concerns and at least more recently the Airport has lacked management continuity. For opportunities, he noted that the City's new accounting package allows for better financial management; that the Airport's comparatively low cost structure provides opportunities for new air service and that revenue opportunities also exist from negotiating new business relationships. As for threats, he cited the Airport's pattern of credit deterioration which has not been rectified and a loss of air service resulting in part from a lack of management oversight.

Michael O'Brien asked for the reason why the City changed from the stronger commission form of government to the present status of advisory commissions. Mr. McNeil answered that as he recalled, the thought in 1999-2000 was that authority, responsibility and accountability was diffused to the point that "everybody's business was nobody's business" and that the creation of a true chief executive officer in the Office of the Mayor and an absolute policymaker for the entire City in the City Council would help to eliminate those concerns. Mayor O'Brien asked whether the operation of the Airport had been generally successful or unsuccessful prior to this conversion. Mr. McNeil stated that the Airport had generally operated on a successful basis between its creation in the 1920's and 2000 under the commission format, and that the governance changes took place throughout all City operations and were not motivated primarily by a perceived need to change the Airport's status.

Gene Richards noted that the current Mayor has been very knowledgeable of and helpful to the securing of necessary changes in Airport operations, capitalization, borrowing needs and revenue enhancement.

Chris Cole stated that while this help from the Mayor is obviously advantageous, it is not necessarily a good idea to design a governance structure on the basis of the status quo because mayors come and go, and some are more helpful and supportive than others. He spoke to his ten-year management of CCTA and the benefits he believed were attained by the organization because it had representation from all the communities receiving and impacted by its services who elected to join. He noted that at its commencement in the early 1970's it served only four communities and it has had great expansion between that time and the present. Both Sandy Miller and Mayor O'Brien commented that as former CCTA Commissioners they felt that its governance structure worked very well for its members. They did note differences in budgetary authority between CCTA and the Chittenden Solid Waste District. In answer to a question from Ed Colodny, Chris Cole indicated that the financing model of CCTA, which is based upon property, taxation was common in New England although not so in the rest of the country.

Frasca then covered the option of re-creating a "strong commission" governance format. Adam noted that under this form the City of Burlington would remain the legal owner and operator of the Airport, but the commission would be reconstituted in a manner more consistent with its historical role as having extensive responsibility for all aspects of Airport management. Under this model, for example, the Commission rather than the Mayor would appoint the Director of Aviation. Adam further noted that there were two models under which this format of a strong commission could operate. Under the first, the Airport's finances would be entirely segregated and controlled by the commission. He noted that there would have to be a plan to develop adequate cash reserves and borrowing capability that could be implemented at the time of the transition from the status quo. Future Airport funding would continue to come from AIP grants and PFC revenues, together with revenue bonds for capital improvements and contract revenues. Under this format, the Commission would approve the annual budget, would supervise the annual audit of the Airport and would approve all contracts subject to overarching City policies. The alternative would be to continue to run the Airport's finances through the City's financial department and to continue the periodic reliance of the Airport on City finances for short-term liquidity. Under this structure, budget and audit approval would remain with the City Council and the City Council would approve contracts. The Airport Director would continue to be appointed by the Mayor with the approval of the City Council.

Mr. Whiteman outlined the implementation schedule for such a change in format that would involve alterations to the City charter which would require City Council, voter referendum, legislative and the Governor's approval. It was estimated that it would be essentially impossible for this process to be completed prior to July of 2014.

In terms of the SWOT Analysis for a strong commission, its perceived strengths were streamlined administration, direct staff accountability to the Commission and the potential decrease in the politicization of Airport operations. It is perceived weaknesses were the time necessary to build up the appropriate cash reserves; its continue credit linkage to the City of Burlington and the City's responsibility to effectuate the transition to more significant commission authority. Its opportunities were as an interim step towards further governance changes such as regionalization which may be more administratively and legally complicated; the possibility of short-term, results-oriented change and an enhanced credit rating. The threats were the uncertainties of voting outcome and the length of time necessary to build up appropriate reserves.

Adam Whiteman then covered the legal implementation steps that would be necessary for the creation of a regional authority, including the amendment of the Burlington City charter through a process of City Council consideration, referendum approval by the Burlington voters, legislative passage and approval into law by the Governor. He noted that there would also most likely have to be general legislative authority granted for the State of Vermont to become a partner in the enterprise with Burlington and the other participating municipalities. He observed that FAA approval would also be necessary for securing an airport operating certificate by the authority.

With regard to Frasca's SWOT Analysis, he indicated that the estimated strengths for the regional authority would be streamlined administration, direct accountability to the authority board and no direct linkage to the City of Burlington's credit. As for weaknesses, Frasca observed that it was uncertain as to how many potential authority members would either want or be able to contribute towards the authorities necessary financial reserves. In answer to a question from Chris Cole, Adam Whiteman estimated that to best enhance its credit rating, the regional authority should build up and maintain reserve sufficient to cover at least 365 days of operations. He also noted that other weaknesses were the perception/reality of loss of City control; the need to determine the methodology and amount of appropriate reimbursement to the City of Burlington for its investment; and the prospect of increased politicization as regional priorities were debated. For opportunities, he mentioned the possibility that authority members could share in financial responsibility, the potential reduction in Airport property tax liability and the possible improvement in the Airport's credit rating. Timing issues and uncertain vote outcomes were listed as a threat to the authority approach, as well as uncertainty as to the rapidity reserves are built up and the method for determining member contributions is developed and implemented.

Mr. Whiteman also made reference to his outline with regard to privatization, but did not spend a great deal of time on this option because of the Committee's discussion at the last meeting.

Much Committee discussion followed concerning the advantages/disadvantages of status quo, strong commission and regional authority formats. Commissioner Keogh noted that under existing authority it was legally possible for the City Council to re-delegate aspects of governance to the commission, as had already occurred with regard to the authority to enact Airport rules and regulations and to administer personnel issues. Mr. McNeil confirmed that this was indeed allowable under the "governance" charter changes of 2000, but that where specific changes were made in the City charter such as Mayoral appointment of the Aviation Director, these changes could not legally be altered by City Council resolution.

It was also noted by Mr. McNeil that there was less permanency to a re-delegation by resolution which would be subject to change from year to year than would be the case with a charter amendment which requires the process outlined from City Council to legislative approval.

Commissioner Keogh also noted that the regional authority model could provide for weighted voting based upon established criteria for its member communities.

Ed Colodny observed that whether the entity running the Airport was the City Council, the Commission or a regional authority, it was impossible to think that political considerations would be removed from the arena, but would in fact always be present.

Co-Chair Sisson asked Mr. Whiteman how long it would likely take for FAA consideration and approval and bond holder approval to be gained in a transition to a regional authority. Adam indicated that bond holder approval would probably be the more complicated and time consuming process, but it was hard to figure that either approval would be gained in less than a year's time. Louise Stoll noted, however, that the FAA process was often subject to the influence of a state's congressional delegation and can be either quite fast or quite slow depending upon the political pressure applied. She therefore noted the importance of achieving a buy-in from the congressional delegation for whatever direction was ultimately determined.

Ed Colodny asked whether the Airport would likely need to be renamed if it became a regional authority but Adam noted that in most situations the name of the facility has remained the same despite a governance conversion.

Jeff Schulman wondered what the actual standards for approval by FAA and bond holders was likely to be. Adam responded that the FAA would be primarily interested in making sure that grant assurances and safety were not adversely impacted. The bond holders would want to make sure that their credit risk was improved or remained the same as opposed to being diminished.

Mayor O'Brien noted that from what he has been hearing, it seemed that reversion to a stronger commission format might be the best approach, at least in the short term, because it would involve the least amount of legal change and necessary approvals. He observed that the Airport did appear to grow and develop without major problems under this format between the 1920's and 2000. He indicated that in connection with such a change, he would like the City of Winooski to be granted a seat on the Commission because of the Airport's impacts on that City. He noted, however, that Winooski would most likely not be in a position to make a significant financial contribution to the development of the Airport's cash reserves. He also noted that he was intrigued by the possibility of the State of Vermont becoming a member with Burlington and perhaps other communities in a regional authority, and thought this option was worth exploring in greater detail.

Vince Dober observed that in his judgment, the City of South Burlington has the most to gain or lose depending upon the form of governance that is ultimately decided upon and the enabling authority.

Sandy Miller emphasized that he would not feel empowered or comfortable in taking a position concerning the alternative formats until he had an adequate period of time to discuss the various options and the ramifications thereof with his City Council. He noted that "the devil would be very much in the details" of whatever charter changes or other enabling authority was constructed, and that South Burlington would definitely want to be significantly involved in the consideration, crafting of such legislation.

Co-Chair Karen Paul wondered whether it was truly an appropriate comparison to look at the transit authority as a model for the Airport, particularly with reference to such issues as taxation authority. It was agreed there were both similarities and differences.

Ed Colodny wondered about the capital needs of the Airport over the next five years. Gene Richards and Bob McEwing indicated that, at least as of the present, no major capital indebtedness was in contemplation during this timeframe that could not be covered by either the $3.5 million received annually in federal AIP funds or the $3 million received annually from passenger facility charges. Gene Richards noted that there would most likely continue to be some marginal revenue losses between now and next June, but thereafter he anticipated significant revenue enhancements from Airport operations. Mr. Colodny followed up by observing that it did not seem that a change in governance structure was necessary in the near term to improve needed access to capital.

Chris Cole, however, noted that the Committee should not be blinded by the present lack of need and find itself in a future situation where it has not fully considered its options for the future, and have to act precipitously. He believes that it is important for the Committee to use this opportunity to fully vet the alternative structures and to carefully select that which best meets present and future needs, including the spreading out of risk.

Jane Knodell made reference to the original "White Paper" which provided the incentive for the creation of the Committee. She urged that the Committee not overlook the need for those responsible for the governance of the Airport to also be fully informed as to the needs of the Vermont economy. She urged that the Committee adopt a governance structure that would best support economic development on a regional basis and be clear about who has the responsibility and who has the accountability.

Ernie Pomerleau stated that although there was not sufficient time left at this meeting, he felt it was imperative for the Committee members to "get 10,000 feet above the detail" and fully discuss which of the options is best for Airport governance, Airport development and overall economic development for the region and the State. He also wondered whether it was imperative that new permanent management for the Airport be on board to assist with this analysis. He noted that if the governance structure was to change, significant attention would need to be paid to fair investment recovery for the City, but that the City could not expect to be earning a return on dollars that were provided by the US government.

Gene Richards noted that this was a historic opportunity to deliberate as to the types of decisions and types of business relationships that have historically harmed the Airport in order to prevent such history from repeating itself. He indicated he has lots of ideas as to changes that ought to be made and that are being made at the Airport, but feels a large need for this process to conclude by further insulating the Airport from risk that it now must absorb.

Co-Chair Paul indicated that this represented a good transition point for the next Committee meeting which will involve hopefully a full discussion of the members' views concerning the best option to select for the future. She noted also that if there were any on-going questions for either Adam Whiteman or Gene Richards prior to the next meeting, such questions should be channeled through the Co-Chairs for answer. Bill Keogh then complimented Adam Whiteman on the thoroughness of his presentation and materials. Vince Dober noted that he would like to have a better understanding of why the City felt it necessary in 2000 to change from the commission form to the present form, and why a switch back would represent an improvement at this juncture.

Co-Chair Paul noted that the Committee also had to deal with the outstanding RFP for consulting services. She stated that there had been four bidders who had bid prices ranging from $60,000 to $126,000 of cost, while the Airport was hoping for bids in the range of $30-50,000. She observed that as presently constituted, the City could not afford the bid cost and needed to develop an alternative. Mr. McNeil noted that it was legally necessary to preserve a level playing field among the bidders so that none were disadvantaged by a change in protocols.

Ernie Pomerleau suggested that a subcommittee be created to deal with this problem, focusing upon available revenues, the timing of the program and the Committee's priorities, suggesting that perhaps the governance consideration could be deleted from the scope of work. Sandy Miller and Chris Cole both observed that the subcommittee also ought to develop a ranking methodology to evaluate the proposals. Jane Knodell, Ernie Pomerleau, Louise Stoll, Jeff Schulman, Sandy Miller, Jeff Munger and Chris Cole agreed to serve as the subcommittee with assistance of the Co-Chairs and Committee staff. Mr. Colodny observed that if there was not at least $50,000 worth of work made available, no skilled consultant was likely to be interested.

The next meeting was set for January 24, 2013 at 5:30 p.m.

There being no further business to come before the Committee, the meeting was adjourned at 7:30 p.m.

Joseph E. McNeil,
Committee Clerk

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